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**DAILY DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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SECTION 1 (SOVIET)

1. USSR. Radio Moscow comments on General Bradley's visit to the Far East: The Southeast Asian audience heard that "there is no doubt that Bradley's trip is linked with American plans to extend aggression in the Far East;" that there is "a connection between US press demands that the atom bomb be used in Korea, reports that the Pentagon is planning an offensive in the direction of the Yalu River and the bombing of northeastern China, and Bradley's visit to the Far East." (R, FBID Ticker, 2 Oct 51)

Comment: Current Soviet propaganda has either ignored the armistice talks or has referred to them in the past tense. The Communist China anniversary provided an additional opportunity for emphasis on alleged American plans to extend the war "so as to use a conquered Korea as an aggressive base against China."

2. Sadchikov remains in Tehran and sees Mossadeq: Sadchikov, Soviet Ambassador to Iran, has not yet left Tehran, contrary to earlier press reports. An Iranian spokesman states that in a visit he paid Premier Mossadeq on 2 October Sadchikov promised a Soviet effort to increase deliveries of sugar and other goods now denied Iran by Britain. Meanwhile, the US Embassy in Tehran has not been able to confirm whether Iran has discussed with the Soviet Union a clearing agreement whereby the USSR would supply certain essential goods on indefinite credit. Recent talks with Iranian members of the trade committee, however, have suggested to embassy officials that Iran would like such a clearing arrangement, but that at the opening meeting of the talks on 22 September this was not discussed. One Iranian official stated he had no idea whether the Russians would work to encourage trade with Iran for propaganda purposes, or try to hinder trade in order to cause added dislocation to the Iranian economy. No date has yet been set for a second Soviet-Iranian trade talk. (C, Tehran 1234, 2 Oct 51; U, AP, 2 Oct 51)

Comment: Sadchikov, originally scheduled to leave Tehran on 22 September for Moscow, has apparently postponed his departure pending preliminary Soviet-Iranian trade negotiations, and the British evacuation. Previous reports have also suggested that the Iranians hope to obtain essential goods from the Soviet Union, and that Sadchikov may have made overtures directly to Premier Mossadeq on the subject. (See OCI Daily Digest, 1 Oct 51)

3. INTERNATIONAL COMMUNISM. Peace Partisans promote a North European Congress: The Communist press in Sweden and Finland has announced that

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"prominent public figures" of Sweden, Norway, Denmark, Iceland and Finland have initiated plans for a Peace Congress of Northern European Countries in Stockholm from 30 November to 2 December under the theme "the North under threat of war". A large number of organizations have been invited to participate "irrespective of political views" but it is believed that Swedish support will be confined to the small Communist Party and a few fellow travellers. (R, Joint Weeka Stockholm, 28 Sep 51)

Comment: Although the Communist World Peace Partisans during the past year have planned or held regional congresses in almost all areas of the world, this is the only recent attempt to hold such a congress in Northern Europe.

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SECTION 2 (EASTERN)

1. BURMA. Chinese Nationalist forces reported in Burma west of Salween: The US Embassy in Rangoon transmits a report that on 1 September there were 5,000 Chinese Nationalist troops west of the Salween River in northeastern Burma. These troops are under the control of Li Yuan-kai, "Commander-in-Chief" of Nationalist forces in southwest China. They are said to be operating independently of General Li Mi, Nationalist "Governor" of Yunnan, whose forces, currently located to the east of the Salween, have caused the Burmese Government so much concern.

The embassy comments that this report, though probably exaggerated, is the first indication that a sizeable group of anti-Communist Chinese guerrillas is operating west of the Salween. (S Rangoon 332, 2 Oct 51)

Comment: This is the first report that Li Yuan-kai's troops are in Burma, although it is entirely possible that they too have sought refuge there from the Communists. It is probable that the two Nationalist forces are operating independently because of the jealousy between their commanders, both of whom claim extensive jurisdiction in southwest China.

The appearance of a substantial force west of the Salween will further exasperate the Burmese and provide an additional incentive for them to place the entire issue before the United Nations.

2. THAILAND. American-British representations to Thai: On 1 October the UK Ambassador and the US Charge delivered a joint aide memoire to the Thai Government requesting its cooperation in preventing arms from reaching the Chinese Nationalist troops in Burma. The British Ambassador also made oral representations pointing out the potential dangers and embarrassments which might develop if arms smuggling through Thailand were allowed to continue. When the US Charge associated himself with these statements the Thai Foreign Minister replied that he was in agreement, and then turned to the American official and remarked that he must be aware that American personnel and arms were involved. (S Bangkok 780, 1 Oct 51)

Comment: The Thai Government probably will cooperate in the effort being made to satisfy Burmese demands that steps be taken to prevent further supplies from reaching the Nationalists in Burma.

3. INDOCHINA. Viet Minh attack French post in western Tonkin: Three regiments of the Viet Minh 312th Division attacked the lightly-held French post of Nghia Lo in western Tonkin beginning 2 October. The French have mounted a maximum aerial counterattack during perfect flying weather. (S Hanoi 197, 2 Oct 51)

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Comment: Viet Minh preparations for an attack on this post have been evident since mid-September. The French believe that the Viet Minh is seeking rice supplies and a morale-boosting victory which, if achieved, will not alter the "basic situation."

4. Possible French use of Chinese Nationalist internees: US consul Blanche in Hanoi reports "recent signs" that the French are showing interest in possible employment of some of the Chinese Nationalist troops interned in Indochina for transborder intelligence work, in which the French acknowledge "woeful weakness." Blanche wonders whether there is any relation between these signs and reports that General Huang Chieh, ranking officer among the internees, is planning a secret trip to Hanoi. (S Hanoi 199, 2 Oct 51)

Comment: The French authorities have refused Chinese Nationalist requests that some 30,000 internees be repatriated to Formosa or otherwise employed against the Chinese Communists. The French have in the past been involved in relations with General Huang Chieh (notably the General's "secret" trip to Formosa last year) which they have strenuously but unsuccessfully attempted to conceal.

5. Viet Minh propaganda stresses "Sino-Vietnamese friendship": A Viet Minh broadcast of 28 September contains more than the usual insistence on Sino-Vietnamese solidarity. There are three references in as many sentences to the "Sino-Vietnamese alliance," the "Sino-Vietnamese union," and the "union of our country with China." (U FBIS, 2 Oct 51)

6. INDONESIA. Netherlands and Indonesia plan to replace RTC agreements: Supomo, an Indonesian official who recently returned from the Netherlands where he discussed revision of the 1949 Round Table Conference agreements, told Ambassador Cochran that the two governments have decided to draft working papers as a basis for further negotiation. When Supomo asked the Netherlands negotiators what criteria they envisaged in replacing the present agreement, the Dutch replied that they felt that there should remain a special relationship between Indonesia and the Netherlands, and that they would not be satisfied simply with most-favored-nation treatment. Supomo told Cochran, however, that Indonesia could not countenance the continuance of the Netherlands-Indonesian Union or any of its instruments.

Netherlands officials inquired whether Indonesia would "make trouble" over West New Guinea if the Netherlands grants acceptable revisions to the RTC agreements. Supomo replied that Indonesia's claim on West New Guinea would remain. (C Djakarta 508, 1 Oct 51)

Comment: Indonesian desire for revision of the RTC agreements princi-

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pally involves the Netherlands-Indonesian Union which, although it includes the two nations as equal partners, exists under the Dutch Crown. Most Indonesians resent it as a vestige of colonialism. They would like to discard the Union entirely and replace the remaining RTC agreements with a standard bilateral treaty.

The Dutch have admitted to US officials that the Union is "dead as a doornail" and that it will have to go. However, the Dutch wish to postpone action until after the June 1952 elections.

7. National Communists spread rumors against Sultan of Jogjakarta: A National Communist leader in Jogjakarta is spreading rumors that the Sultan of Jogjakarta intends to restore feudal rule over central Java, and that when his position is sufficiently strong he hopes to succeed Sukarno as president. These alleged ambitions of the Sultan are resented by the people.

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Comment: During his actual reign over the special territory of Jogjakarta, the Sultan instituted many progressive and democratic reforms and adopted the policy of keeping directly in contact with his people. He continues to be immensely popular in central Java and is an obvious target for Communist propaganda. The rumors mentioned in the above message probably have had little effect to date; however, if continued on a large scale they undoubtedly would weaken the Sultan's position.

8. CHINA. China's trade with Soviet Orbit: The Chinese Communists point with pride to the fact that the USSR and the Eastern European Satellites have become China's principal trading partners in place of the West. So far in 1951, 70 percent of China's imports have come from the Soviet Orbit (45 percent from the USSR and 25 percent from the Satellites). Shipments to the Orbit came to 78 percent of total exports (52 percent to the USSR and 26 percent to the Satellites). According to the Communists, China's ability to find new markets and sources of supply in the Soviet bloc "is a serious blow to the economic blockade and embargo of the imperialist countries against us." (U Peiping, NCNA to press, 1 Oct 51)

Comment: China's foreign trade reflects that country's continuing economic orientation toward the Soviet Orbit. The year 1951 is the first in which the Soviet Orbit outranked the West as China's trading partner. This development is only in part due to a decline in the commerce with the US and other Western countries; in large part it reflects an absolute increase in trade with the Orbit. Despite the Communist claims that the increased trade with the Orbit effectively counters Western trade controls, the continuing efforts to procure Western goods by smuggling indicates that the Orbit countries have not proved altogether satisfactory sources of supply for petroleum, and other strategic commodities.

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9. Polish vessel carrying Ceylonese rubber to China. The Polish vessel Mickiewicz left Colombo for Communist China on 2 October, after several days' delay due to commercial difficulties and bad loading weather. It is carrying 5,530 tons of rubber, probably to the South China port of Whampoa. (C Colombo 216, 29 Sep; Colombo 226, 3 Oct 51)

Comment: This is the first known shipment of rubber to Communist China since the UN-sponsored embargo of June 1951. Ceylon is the only rubber-exporting country which permits the sale of rubber to Communist China. If the Chinese can overcome certain shipping and commercial difficulties they will probably attempt to buy Ceylon rubber on a continuing basis.

10. KOREA. Communist general estimates number of "Caucasians" in North Korea: A North Korean general is reported to have estimated that the "most accurate figure" on the number of "Caucasians" in North Korea during late August was 7,000 to 10,000. These troops, mostly antiaircraft and field artillery gunners, are not Soviets (although Soviet officers have been observed with them), but "volunteers" from Hungary, Bulgaria, Yugoslavia and Poland. They are in general located in the Pyongyang-Sinmak region in western Korea. (S FEAF Tokyo 4293, 30 Sep 51)

Comment: This coincides very closely with a recent US Far East Command estimate of the number, mission, and location of "Caucasians" in North Korea. However, sufficient information does not exist to confirm or deny the presence of a separate tactical force in North Korea composed of "Caucasian volunteers."

11. North Korean Communist leaders' discussion of the war reported: In a 16 September meeting of the "North Korean Communist Party Executive Committee," the entire subjects of military operations and the Kaesong talks were reviewed, [REDACTED]

The conferees, feeling that additional delay in resuming the Kaesong talks would goad the UN command into an all-out offensive, noted that the talks should begin again. Concurrent with the talks, however, a limited Communist offensive designed to force the UN to the 38th parallel should be initiated. If the UN still refused to settle on a cease-fire line at the 38th parallel, an all-out offensive would be launched. It was noted that, in any case, only the Soviet Union could order an end to the Kaesong talks.

On other matters, it was observed that since the Korean war was part of the "world-wide resistance against imperialistic America," the Chinese Communists would continue to support the North Koreans. A serious rift between Peiping and Moscow, however, could cause Chinese abandonment of their Korean venture. The possibility of

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armed Japanese Communist resistance and "increasing trouble in the Balkans" were discussed.

The members concluded their meeting by resolving to "step up the party line campaign of last July" (presumably peaceful settlement of the Korean war) and to "mobilize South Korean Communists for guerrilla work, sabotage, and political infiltration."

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Comment: While contradictory in part (i.e., expressing fear of a UN offensive, yet discussing a Communist offensive to drive UN forces to the 38th parallel), the reported proceedings of this meeting could very well be true. It is to be noted, however, that this was primarily a discussion rather than a policy meeting at the command level. The only concrete actions recommended (propaganda and guerrilla activity) are probably within the sphere of activity of the North Korean Communist Party. It is believed that the thinking reflected here, although it will have very little bearing on eventual Communist policy, is reasonably accurate.

12. Communist charge that UN uses Japanese troops repeated: A 2 October North Korean broadcast states that the "American armed interventionists" are employing "a large number of Japanese troops" in the Korean war. The broadcast, claiming that Japanese soldiers have been captured as recently as 4 September, states that a 2,000-man Japanese "infantry volunteer" unit has been introduced into Korea and that "about 300 Japanese soldiers" are currently working in the UN cease-fire camp at Munsan. (R FBID Pyongyang, 2 Oct 51)

Comment: This and similar previous charges have probably been inspired by confused or intentionally misleading North Korean intelligence reports. US citizens of Japanese ancestry and South Koreans trained earlier in the war in Japan are believed to be the "Japanese" in question.

This type of broadcast additionally is a potent propaganda charge, in that a widespread distrust and dislike of the Japanese still exists throughout much of Korea.

13. ROK government "misinterprets" US repayment of won advance to US personnel: On 2 October the semi-official South Korean newspaper "Korea Times" quoted the US Secretary of State as promising a refund "at the first opportunity of the billion won loan of the Korean Government to the US Army in Korea." The article stated that the payment of 12 million dollars "will be an advance refund of the entire Korean Government's loan to the UN army amounting to 321 billion won." It is further noted that the US Navy and Air Force

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and other UN nations having fighting forces in Korea would soon follow suit. (S Pusan 303, 2 Oct 51)

Comment: The US is undertaking to repay the sum of 12 million dollars in specific settlement for the ROK's advance of 63 billion won "which have been utilized in Korea through July 31, 1951, for direct sale to US personnel." The US has given no indication as to when negotiations for the settlement of the ROK advance to the UN command will take place. The US Embassy observes that this newspaper article is "apparently a continuation of an attempt to make the advance appear as a loan and to make Acheson appear as guaranteeing repayment of the loan."

14. JAPAN. Subversive activities control law to be presented to Diet: A draft public safety law, aimed at controlling subversive activities, will be submitted to the Diet during its special session commencing 10 October, according to Japanese press reports. The law reportedly will permit a public safety committee to disband any organization, remove any individual from public office, and suppress any publication which engages in, advocates or otherwise supports activities which (a) deny the Japanese Constitution or imperil the State, (b) support or justify aggressive military operations against the State, or (c) encourage any attempt to unseat the government through violence. (R FBID, 2 Oct 51)

Comment: While this law will provide the basis for outlawing the Communist Party, Government leaders still deny any intention to do so. The need for a permanent law to replace the Occupation-directed ordinances which now are utilized to control subversive activities is generally recognized; however, considerable concern is being expressed in Japan over the possible misuse of the proposed law. The press in particular, fearing a return of state control over publications, is presenting organized opposition to the bill in its present form.

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SECTION 3 (WESTERN)

1. GERMANY. McCloy to maintain Berlin air-lift in view of continued Soviet harassment: High Commissioner McCloy has abandoned earlier plans to discontinue the Berlin freight air-lift, because there is no conclusive evidence that Soviet and East German officials intend to cease their harassing measures. For the time being the limited air-lift, which has been flying out West Berlin exports, will be continued on a day-to-day basis, and the matter will be considered further by the High Commission at its next regular meeting on 4 October. (S Frankfurt 2878, 2 Oct 51)

Comment: At the time of the signing of the interzonal trade pact on 20 September, the East Germans agreed orally that various harassing measures would be discontinued. So far, they have complied only by reducing the rates of the road tax on Berlin-West Germany traffic. Soviet and East German officials are still holding up approval of export permits. As of 29 September, parcel post shipments were still being interfered with and the Rothensee canal lock had not been opened.

2. FRANCE: Comment on cantonal elections of 7 and 14 October: The major political parties in France are placing unusual emphasis on the forthcoming cantonal elections. They are determined to capitalize on any shift in popular support since the indecisive June elections for the National Assembly. Since, however, many of the local contests, which are for 50 percent of the seats on the councils of the French departments, will be decided on local issues, the results will not give a true picture of national political sentiment. When the deputies reconvene early in November, the parties' gains and losses in these local elections, together with the ill-feeling engendered in the recent assembly debates, will increase present tensions which stem largely from basic economic issues.

The Gaullists are confident of making an even better showing than they did in the June elections, when they emerged as the largest party in the Assembly. The Socialists, who currently hold the largest number of the seats being contested, are struggling to minimize their anticipated losses; nevertheless, they have declared their intention not to cooperate with either the Communists or the Gaullists in the present campaign. The Communists have publicly stated that they regard the forthcoming elections as equal in importance to the national poll in June. They probably believe, with considerable justification, that they will be able to hold their lead in the popular vote, especially in view of the growing inflation and the controversial NATO issues.

3. French 1952 budget faces opposition: French Finance Minister Mayer expects to have serious difficulties with the National Assembly's Finance

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Committee on the 1952 budget. Mayer shares a widespread view that Paul Reynaud, the committee's chairman, is working to replace the present cabinet with a Rightist government including the Gaullists. Reynaud has secured a committee resolution inviting the government to submit the budget immediately, although in a recent newspaper article criticizing the results of the Ottawa Conference he pointed out that the government cannot know what level of military expenditures its prospective resources will permit. (C Paris 1929, 28 Sep 51)

Comment: Reynaud, a specialist on financial matters, is an independent conservative who was one of the first to recognize De Gaulle as an authority on military questions. An anti-inflationist of long standing, he can be expected to insist on reduced budgetary commitments unless adequate non-inflationary resources for financing defense expenditures are clearly in view.

4. BRITISH CENTRAL AFRICA. Federation favored by all Victoria Falls conference delegates except Africans: Except for the native African representatives, delegates from the UK and the three Central African territories of Southern and Northern Rhodesia and Nyasaland supported the principle of federation at the recent Victoria Falls conference. According to the joint statement, all agreed to rule out amalgamation of the territories unless a majority of the inhabitants of all three desired it. Whatever agreement is finally reached, the protectorate status of Northern Rhodesia and Nyasaland under the British Crown will be preserved. The Northern Rhodesian Africans declared their willingness to consider federation on the basis suggested if the proposed policy of "partnership" were defined, and "as defined first put into progressive action" in Northern Rhodesia. The delegates hope to reconvene in London in the middle of next year. (U London Times, 24 Sep 51)

Comment: As anticipated, attempts to allay African fears of white supremacy in a future federation including Southern Rhodesia dominated the deliberations. The partial success of the conference in this regard is shown by the Northern Rhodesian Africans' declaration, which is the first African statement that is not uncompromising in its opposition to the principle of closer political ties in Central Africa.

Nevertheless, the satisfaction of African objections and resolution of controversial constitutional questions will take so much time that federation will probably not be realized for several years.

5. COLOMBIA. Communists claim success in collecting information on diplomats: Rafael Baquero, who is in charge of the Communist Party's collection of detailed personal information on Colombian diplomats stationed in the US, England, and France, stated that the information had been compiled prior

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to 14 August (see OCI Daily Digest, 21 Aug 51). His instructions called for the compilation to be sent to the Cominform as soon as the same type of information on the Colombian representatives in Spain could be included.  
[redacted] [redacted] [redacted] [redacted] 25X1A

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Comment: There is still no indication that similar instructions have been issued to any other Latin American Communist Party.

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SECTION 2 (EASTERN)

1. INDONESIA. Shipment of strategic materials to Czechoslovakia may be avoided: US Ambassador Cochran spoke to Djuanda, Vice Chairman of the Cabinet's Financial and Economic Council, concerning Indonesia's agreement to provide tin to Czechoslovakia under the annual Czechoslovak trade treaty currently being renegotiated. Cochran appealed to Djuanda for assistance in orienting Indonesia's trade policy away from the export of strategic materials to the Communist bloc so as to avoid the possibility of penalties under the Kem Amendment or superseding legislation.

Djuanda stated that trade agreements with Hungary, Poland, and Czechoslovakia had been routine arrangements following old Netherlands East Indies lines and that some provisions had been specifically inserted at the request of the Netherlands Government. He agreed unofficially that commodities obtained by Indonesia under these treaties are not vital and could be obtained in large part from other countries. He said he believed the Czechoslovak agreement had already been signed but was sure it had not been approved by the Cabinet. He promised to look into the matter, since he is particularly interested in continuing to receive aid from the US. (S, S/S Djakarta 513, 2 Oct 51).

2. JAPAN. Japanese hope US troops will move out of capital: The Japanese Government hopes that the administrative terms of the US-Japan Security Treaty will provide for the removal of GHQ and the bulk of US troops from Tokyo, the capital city, according to the Japanese Vice Minister of Foreign Affairs. The official has also informed the US Political Adviser that the Japanese additionally hope for the return of numerous requisitioned houses, piers, warehouses and other properties now utilized by the Occupation. (S, S/S Tokyo 668, 2 Oct 51).

Comment: Although the broad principles of the agreement were worked out and initialed prior to the peace conference, details relative to facilities and bases are still awaiting inter-departmental discussions by US authorities. The Japanese Government, anticipating considerable political opposition to the US bases, is anxious to avoid any arrangement which would give the appearance of a continued Occupation.

3. South Korea to request negotiations with the Japanese: The Korean Mission in Japan has indicated that a formal request will be submitted to SCAP in the near future requesting negotiations with the Japanese on outstanding problems. The US Political Adviser states that it would be in-

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appropriate for SCAP personnel to serve in a mediatory role, and he suggests that bilateral negotiations commence initially without US intervention. He feels that US intervention, unless necessitated by an impasse, would produce more misunderstanding than goodwill. (S, S/S Tokyo 669 , 3 Oct 51).

Comment: The two outstanding problems most likely to cause an impasse are Korea's demand that all Japanese shipping which claimed home ports in Korea during the war be turned over to Korea, and Korea's demand that Japanese fishing operations be restricted to the current limits established by the "MacArthur Line."

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